

EXECUTIVE SECRETARIAT

Routing Slip

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SUSPENSE 20 January
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Remarks:

Please prepare short acknowledgment for
DCI's signature.

3637 (10-81)

Executive Secretary
18 Jan 82
Date

STAT

LAWRENCE J. BRADY
ASSISTANT SECRETARY OF COMMERCE
FOR TRADE ADMINISTRATION .
BEFORE
INTERNATIONAL TRADE COMMITTEE
NATIONAL ASSOCIATION OF MANUFACTURERS

SAN FRANCISCO, CALIFORNIA

JANUARY 13, 1982

"NEW DIRECTIONS IN U.S. TRADE POLICY"

IT IS WITH A GREAT DEAL OF PLEASURE THAT I ACCEPTED YOUR INVITATION TO APPEAR AND SPEAK BEFORE THE INTERNATIONAL TRADE COMMITTEE OF THE NATIONAL ASSOCIATION OF MANUFACTURERS. THE PAST YEAR HAS BEEN AN EXCITING TIME OF CHANGE IN OUR NATION'S CAPITAL, AND I AM VERY PROUD TO BE PART OF AN ADMINISTRATION THAT IS SUCCEEDING IN THE DIFFICULT TASK OF REBUILDING THE NATIONAL ECONOMY, REDUCING THE BURDENS OF GOVERNMENT AND, MOST OF ALL, RESTORING AMERICA TO IN ITS RIGHTFUL ROLE AS THE LEADER OF THE FREE WORLD.

OUR JOB HAS NOT BEEN AN EASY ONE. BUT THE PRESIDENT HAS TIME AND TIME AGAIN CONFOUNDED THE SKEPTICS AND NEGATIVE THINKERS WHO WERE CONVINCED THAT THE MANDATE OF THE AMERICAN PEOPLE WOULD BE OVERCOME BY THE INERTIA OF THE BUREAUCRACY, OR THE PRESSURE OF SPECIAL INTERESTS.

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I WOULD ALSO LIKE TO TAKE THIS CHANCE TO THANK YOU, -- THE REPRESENTATIVES OF THE GREATEST FREE ENTERPRISE SYSTEM KNOWN TO MAN -- FOR THE SUPPORT YOU HAVE GIVEN THE PRESIDENT. I CAN HONESTLY SAY THAT WITHOUT YOUR INVALUABLE ASSISTANCE AND WISE COUNSEL, WE WOULD NEVER HAVE SUCCEEDED OVER THESE DIFFICULT MONTHS. I HOPE THIS NEW PARTNERSHIP BETWEEN BUSINESS AND GOVERNMENT ENDURES AND PROSPERS.

YOU HAVE INVITED ME HERE TO TALK ABOUT U.S. EXPORT POLICIES TOWARD THE COMMUNIST WORLD. I WOULD LIKE TO BEGIN BY STRESSING THAT THIS ADMINISTRATION FULLY RECOGNIZES THE IMPORTANCE OF INTERNATIONAL TRADE TO THE HEALTH OF OUR NATIONAL ECONOMY. WE ALSO RECOGNIZE THAT UNLESS WE TAKE IMMEDIATE STEPS TO IMPROVE AMERICAN COMPETITIVENESS IN THE GLOBAL MARKETPLACE OUR FUTURE AS A GREAT POWER IS BLEAK INDEED.

OVER THE PAST 10 YEARS THERE HAS OCCURRED A DRAMATIC DECLINE IN AMERICA'S STATURE IN THE WORLD -- A DECLINE THAT HAS REVEALED ITSELF IN COMMERCIAL, GEO-STRATEGIC, AND MILITARY DIMENSIONS. WE SEE THE ECONOMIC SYMPTOMS ALL AROUND US: RAGING INFLATION, CHRONICALLY HIGH UNEMPLOYMENT, AND THE STEADY DETERIORATION OF THE U.S. MANUFACTURING BASE.

WE HAVE YIELDED HUGE CHUNKS OF OUR DOMESTIC AND EXPORT MARKETS TO THOSE NATIONS -- SUCH AS JAPAN -- WHO HAVE TAKEN STEPS TO REMAIN COMPETITIVE AND ARE NOW TEACHING US LESSONS ABOUT HOW TO PLAY HARBALL IN THE WORLD ECONOMY.

IN 1960, THE U.S. SHARE IN WORLD SALES OF MANUFACTURED GOODS WAS 25 PERCENT. IN 1980 THAT SHARE WAS 18 PERCENT, AND IT IS STILL DROPPING. DURING THIS SAME TWENTY-YEAR PERIOD JAPAN'S SHARE HAS MORE THAN DOUBLED FROM 6 PERCENT TO 13 PERCENT, AND IT IS STILL RISING.

IF WE DO NOT CHANGE COURSE, AMERICA WILL SOON BEGIN TO PAY THE PRICE FOR SUCH SLIPPAGE. ALL THIS HAS VERY SERIOUS CONSEQUENCES FOR OUR PROSPERITY, THE VALUE OF OUR CURRENCY, AND, ULTIMATELY, OUR NATIONAL SECURITY. IN SHORT, AMERICA CANNOT AFFORD TO LOSE THE TRADE RACE.

THIS ADMINISTRATION IS WELL ON ITS WAY TO THE GOAL OF STRAIGHTENING OUT THE MESS IN WASHINGTON. WE MUST NOW TURN OUR ATTENTION TO PROBLEMS IN THE INTERNATIONAL ECONOMY.

THIS TASK HAS BEEN MADE MUCH MORE DIFFICULT BY NEW REALITIES. FROM WORLD WAR II UNTIL THE EARLY 1960'S ALMOST ALL OUR ECONOMIC POLICIES ASSUMED A CLOSED TRADING SYSTEM. THE UNITED STATES WAS THE POLICY UNIT, THE PRIMARY MARKET. THE OUTSIDE WORLD REPRESENTED ONLY A MINOR COMPLICATION TO POLICY, AND THE FOREIGN MARKET WAS VIEWED ONLY AS A FRACTIONAL ADD-ON TO THE DOMESTIC MARKET.

TODAY, AS IS SO OFTEN HEARD, WE LIVE IN AN AGE OF RAPIDLY GROWING ECONOMIC INTERDEPENDENCE INVOLVING NORTH-SOUTH, EAST-WEST, ENERGY CONSUMING AND ENERGY PRODUCING NATIONS.

FEW WOULD DISAGREE WITH THE NOTION THAT THE INTERNATIONALIZATION OF THE U.S. ECONOMY HAS BROUGHT SUBSTANTIAL ADVANTAGES TO CONSUMERS AND MOST PRODUCERS. BUT WE WOULD BE NAIVE TO FAIL TO RECOGNIZE THAT INTERDEPENDENCE BETWEEN NATIONS ALSO CREATES NEW VULNERABILITIES WHICH -- IF NOT TAKEN INTO ACCOUNT BY POLICY MAKERS -- COULD BE EXPLOITED BY ADVERSARIES IN WAYS WHICH POSE A FUNDAMENTAL THREAT TO OUR FREEDOM AND PROSPERITY.

THESE DAMAGING CIRCUMSTANCES FIRST BECAME VISIBLY EMBODIED IN THE OIL CRISIS OF 1973, WHICH DELIVERED A CRUSHING SHOCK TO THE U.S. ECONOMY AND LED TO A REDISTRIBUTION OF POWER RELATIONSHIPS IN THE WORLD.

THE OIL CRISIS HAS SINCE ABATED -- AT LEAST TEMPORARILY -- AND TO A GREAT EXTENT WE HAVE LOWERED OUR GUARD AGAINST THE USE BY OTHER NATIONS OF THE WEAPONS OF ECONOMIC WARFARE.

BUT TODAY ANOTHER CRISIS PREOCCUPIES THE WORLD WHICH RAISES THESE ISSUES ANEW. I REFER HERE TO THE EVENTS IN POLAND, WHERE A PROUD AND PATRIOTIC PEOPLE ONCE AGAIN HAS BEEN SUBDUED BY GOOSE-STEPPING SOLDIERS AND ARMY TANKS.

AND WHAT WAS THE GREAT CRIME OF THE POLISH NATION? IT IS SIMPLY THAT ITS CITIZENS ASKED FOR THE BASIC FREEDOMS THEY WERE PROMISED AT YALTA IN 1944 AND AGAIN AT HELSINKI IN 1975. THE FREEDOMS THAT WE IN AMERICA TAKE FOR GRANTED AS A GOD GIVEN BIRTHRIGHT.

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FOR MAKING THIS REQUEST, AND FOR REFUSING TO LET THE FLICKERING CANDLE OF HOPE BE EXTINGUISHED, POLAND HAS NOW BEEN CONVERTED INTO THE LARGEST CONCENTRATION CAMP IN THE WORLD. A GOVERNMENT HAS DECLARED WAR ON ITS OWN PEOPLE. THE DAYS OF STALINIST TERROR -- WHICH WE HAD HOPED WERE GONE FOREVER -- HAVE RETURNED.

IT HAS BEEN SAID THAT, UNDER COMMUNISM, DEMOCRATIC RIGHTS ARE LESS IMPORTANT THAN ECONOMIC RIGHTS. ACCORDING TO THIS LOGIC, A FULL LUNCH BUCKET IS TO COMPENSATE FOR THE LOSS OF THE VOTE. BUT THE BREAKDOWN OF THE POLISH ECONOMY DEMONSTRATES THE FAILURE OF COMMUNISM TO MEET EVEN THE BASIC HUMAN NEEDS OF ITS SUBJECTS, MUCH LESS THEIR DESIRE FOR DIGNITY AND FREEDOM.

THE FUNDAMENTAL ISSUE IN POLAND IS WHETHER SOCIETIES CHARACTERIZED BY STATE OWNERSHIP OF THE MEANS OF PRODUCTION CAN PERMIT WORKERS AND OTHER CITIZENS TO PARTICIPATE IN THE DECISIONS THAT SHAPE THEIR LIVES. IF THERE CAN BE NO MEANINGFUL POWER SHARING IN COMMUNIST NATIONS, THERE WILL BE NO RESTRAINT ON THE POWER OF THE FEW TO WAGE WAR ON THE MANY, BOTH WITHIN AND BEYOND THEIR BORDERS. THIS HAS THE MOST PROFOUND CONSEQUENCES NOT ONLY FOR THE CAUSE OF HUMAN RIGHTS, BUT ALSO FOR WORLD PEACE.

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IT HAS BEEN SAID THAT THE PROBLEMS IN POLAND WERE DUE TO THE MANAGEMENT MISTAKES OF THE COMMUNIST PARTY, OR TO THE EXCESSES OF THE SOLIDARITY MOVEMENT. BUT THERE IS INCREASING EVIDENCE THAT OTHER, MORE SINISTER FORCES WERE AT WORK WHICH BEAR THE GREATEST SHARE OF BLAME FOR THE POLISH TRAGEDY.

LAST WEEK THE WALL STREET JOURNAL RAN SEVERAL ARTICLES ANALYZING THE DISINTEGRATION OF THE POLISH ECONOMY OVER THE PAST FOUR YEARS. THEIR CONCLUSION WAS STARTLING: THE PRIMARY CAUSE OF THE COLLAPSE WAS THE INCREASINGLY HEAVY BURDEN IMPOSED ON POLAND BY THE KREMLIN TO FINANCE AN ARMS BUILDUP OF UNPARALLELED PROPORTIONS. TO PARAPHRASE FROM THE EDITORIAL OF JANUARY 8;

THE ECONOMIES OF EASTERN EUROPE ARE ORGANIZED TO SUPPORT THE ECONOMY OF THE SOVIET UNION, AND THE ECONOMY OF THE SOVIET UNION IS ORGANIZED TO SUPPORT ITS MILITARY MACHINE.

POLAND WAS USED AS A CONDUIT BY THE USSR TO INDIRECTLY OBTAIN WESTERN CREDITS, ADVANCED TECHNOLOGY, AND PRODUCTS MANUFACTURED FROM IMPORTED PLANT AND EQUIPMENT. THE POLISH ECONOMY WAS INTEGRATED WITH THAT OF THE FREE WORLD, AND THEN IT WAS BLED DRY BY THE SOVIET ARMED FORCES.

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BUT THE TRAGEDY DOES NOT END THERE. NOW THE KREMLIN IS APPROACHING THE WEST, HAT IN HAND, AND ASKING US TO DRAMATICALLY INCREASE OUR INVESTMENT IN COMMUNISM. THAT INVESTMENT IS ALREADY SUBSTANTIAL. ESTIMATES ARE THAT THE COMBINED DEBT OF ALL SOVIET BLOC COUNTRIES TO THE WEST NOW EXCEEDS \$30 BILLION, WHICH IS A FAR LARGER AMOUNT THAN HAS GONE TO ANY SINGLE GROUP OF STATES IN THE NON-COMMUNIST WORLD.

WE ARE TOLD THAT IF WE DO NOT PUT MORE GOOD MONEY AFTER BAD, OUR INVESTMENT WILL NEVER BE RECOUPED. WE ARE ALSO TOLD THAT WE HAVE NO CHOICE IN THE MATTER BECAUSE THE REALITIES OF INTERNATIONAL FINANCE DICTATE THAT A POLISH DEFAULT WOULD HAVE THE MOST DIRE CONSEQUENCES FOR THE GLOBAL BANKING SYSTEM. IN OTHER WORDS, THE WEST HAS NO CHOICE BUT TO CONTINUE TO UNDERWRITE EXPLOITATION AND SUPPRESSION OF THE CAPTIVE NATIONS.

IF THIS IS TRUE, THEN IT IS TIME TO EXAMINE THE ASSUMPTIONS BEHIND THE ECONOMIC INTEGRATION OF THE COMMUNIST AND FREE ENTERPRISE SYSTEM.

ONE OF THOSE ASSUMPTIONS WAS THAT IN DEALING WITH TOTALITARIAN COUNTRIES, IT WAS POSSIBLE TO SEPARATE POLITICS FROM TRADE. IT WAS BELIEVED THAT IF BOTH THE EAST AND THE WEST DEVELOPED IMPORTANT STAKES IN THE COMMERCIAL RELATIONSHIP; NEITHER SIDE WOULD ATTEMPT TO MANIPULATE THAT RELATIONSHIP TO OBTAIN A STRATEGIC ADVANTAGE.

TODAY, IT IS OBVIOUS THAT NOTHING COULD BE FURTHER FROM THE TRUTH. SOVIET ACTIONS OVER THE PAST FEW MONTHS HAVE REVEALED THE OUTLINES OF A WELL-COORDINATED PLAN TO EXPLOIT WHAT THE USSR CALLS "THE CONTRADICTIONS OF CAPITALISM" IN ORDER TO FURTHER THE ADVANCE OF SOCIALISM.

JUST LAST SATURDAY SOVIET FOREIGN TRADE MINISTER PATOLICHEV, IN A PUBLISHED ARTICLE IN PRAYDA, THREATENED EUROPEAN NATIONS WITH ECONOMIC RETALIATION IF THEY DECIDE TO FOLLOW THE PRESIDENT'S PROGRAM OF ECONOMIC SANCTIONS OVER POLAND. THE SOVIET UNION'S INTENT IS CLEAR. THROUGH PRESSURE AND INTIMIDATION IT SEEKS TO DIVIDE THE WESTERN ALLIANCE AND TURN THE POLISH CRISIS INTO OUR CRISIS.

I CAN ASSURE YOU, HOWEVER, THAT THIS ADMINISTRATION WILL NEVER ALLOW THEM TO SUCCEED.

SOVIET LEADERS ARE INVENTING A NEW STYLE OF DOUBLESPEAK TO CONFUSE THE WEST. WHILE THEY THREATEN EUROPE WITH ECONOMIC SANCTIONS, THEY DENOUNCE THE UNITED STATES FOR ITS "UNACCEPTABLE" USE OF THE TRADE WEAPON.

I THINK WE ARE FAR TOO SOPHISTICATED TO FALL FOR SOVIET BIG LIE TECHNIQUES. BUT WE ARE A LONG WAY FROM RECOGNIZING THE FULL SCOPE AND IMPORTANCE OF THE SOVIET ECONOMIC OFFENSIVE AGAINST THE WEST.

THE USSR HAS UTILIZED A VARIETY OF MEANS TO HARNESS THE VAST ENERGY OF THE FREE ENTERPRISE SYSTEM TO THE ENGINE OF THE SOVIET MILITARY MACHINE.

THE KGB OPERATES A VAST COVERT APPARATUS IN THE WEST WHOSE FUNCTION IT IS TO PROCURE, LEGALLY OR ILLEGALLY, THE MOST ADVANCED TECHNOLOGY AVAILABLE.

SOVIET FIRMS AND TRADE MINISTRIES HAVE CULTIVATED A VAST NETWORK OF INFLUENCE IN THE CAPITALIST NATIONS THAT THEY CAN RELY ON TO MAINTAIN CONTINUITY IN U.S.-SOVIET COMMERCIAL RELATIONS, EVEN WHEN SECURITY NEEDS IN THE WEST DEMAND POLICY ADJUSTMENTS.

OF GREATEST CONCERN IS THE DEMONSTRATED CAPABILITY OF THE USSR TO EXPLOIT THE DEPENDENCY ON ITS MARKETS BY WESTERN FIRMS AND INDUSTRIAL SECTORS. IN EFFECT, THE USSR HAS CREATED A VERITABLE "SOVIET LOBBY" IN WESTERN BUSINESS AND GOVERNMENT CIRCLES THAT CAN FACILITATE THE IMPLEMENTATION OF ITS OBJECTIVES.

OVER THE PAST 10 YEARS THE FREE WORLD HAS CONCENTRATED ITS ATTENTION ON THE SOVIET MILITARY THREAT, WHILE REMAINING LARGELY OBLIVIOUS TO THE SOVIET ECONOMIC THREAT.

WE HAVE FAILED TO APPRECIATE, THAT UNDER CONDITIONS OF APPROXIMATE STRATEGIC EQUIVALENCY, THE ECONOMIC ASPECTS OF THE EAST-WEST RELATIONSHIP MAY BE A MORE DECISIVE FACTOR IN DETERMINING WHETHER FREEDOM OR TYRANNY WILL PREVAIL THAN THE MILITARY ASPECTS.

THIS ADMINISTRATION FULLY RECOGNIZES THE DANGERS WHICH LIE AHEAD. WE INTEND TO MANAGE OUR AFFAIRS TO REGAIN A MEASURE OF THE ECONOMIC SOVERIGNTY AND SECURITY THE WEST ONCE ENJOYED.

WE ARE PLEDGED TO LIMIT THE DIRECT AND INDIRECT CONTRIBUTIONS MADE BY OUR RESOURCES TO THE SOVIET MILITARY BUILDUP, AND WE ARE PLEDGED TO SUBSTANTIALLY REDUCE SOVIET LEVERAGE OVER THE ECONOMIES OF THE NON-COMMUNIST WORLD.

IN THIS REGARD, I WOULD LIKE TO OFFER A FEW COMMENTS ON THE MUCH-DISCUSSED PROPOSAL TO BUILD A 3,000 MILE PIPELINE FROM SIBERIA TO WESTERN EUROPE. MANY HAVE ARGUED THAT THIS PROJECT -- WHICH REPRESENTS A GREAT LEAP FORWARD IN EAST-WEST ECONOMIC INTERDEPENDENCE -- BRINGS SUBSTANTIAL ADVANTAGES TO THE ECONOMIES OF EUROPE AND, TO A MUCH LESSER EXTENT, THE UNITED STATES.

WE MUST NEVER FORGET, HOWEVER, THE WORDS OF VLADIMIR LENIN, FOUNDER OF THE SOVIET STATE, WHO PROPHESED THAT THE CAPITALISTS WOULD GLADLY SELL THE ROPE WITH WHICH THEY WOULD BE HUNG.

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THE SIBERIAN PIPELINE REPRESENTS SUCH A ROPE; IT THROWS AN ENERGY NOOSE AROUND THE ECONOMIES OF WESTERN EUROPE THAT CAN GRADUALLY BE TIGHTENED AS THE USSR ATTEMPTS TO GAIN GREATER CONTROL OVER THE ENERGY RESOURCES OF THE GLOBE. TODAY EASTERN EUROPE DEPENDS ON THE USSR FOR A CRITICAL SHARE OF ITS ENERGY NEEDS, A DEPENDENCY WHICH IS READILY MANIPULATED BY THE SOVIETS FOR POLITICAL PURPOSES. THE PARALLELS ARE CLEAR.

BUT THE IMPORTANCE OF THE PROJECT FOR THE SOVIET UNION GOES FAR BEYOND THEIR DESIRE TO ENGAGE IN ENERGY DIPLOMACY. THE PIPELINE CONSTITUTES AN ECONOMIC LIFELINE FROM THE WEST WHICH OFFERS PERHAPS THE FINAL OPPORTUNITY FOR THE SOVIET LEADERSHIP TO BAIL OUT A BANKRUPT AND FAILING SYSTEM.

THE USSR IS BESET WITH MANY PROBLEMS, ALL OF WHICH ARE EXACERBATED BY ITS DRIVE FOR MILITARY SUPREMACY. THE MOST IMPORTANT OF THESE IS THE NEED TO DEVELOP NEW SOURCES OF ENERGY IN THE 1980'S. IF THE SOVIET UNION IS TO AVOID AN ENERGY CRISIS OF ITS OWN -- A CRISIS THAT COULD THREATEN NOT ONLY THE VITALITY OF THE ECONOMY, BUT ALSO ITS HEGEMONY OVER THE SATELLITE NATIONS -- THEN IT MUST TURN TO THE WEST FOR CONCESSIONARY CREDITS AND CRITICAL EQUIPMENT.

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THE WEST IS BEING ASKED TO MAKE A HUGE NEW INVESTMENT IN BUILDING THE SOVIET ECONOMY WHEN FEW, IF ANY, OF THE POLITICAL GAINS FROM DETENTE HAVE MATERIALIZED. ONCE NEW CREDITS ARE FURNISHED, THE COMMUNITY OF INTEREST BETWEEN WESTERN BANKS AND THE SOVIET GOVERNMENT WILL BE SIGNIFICANTLY ENLARGED. THIS CAN ONLY CONTRIBUTE TO THE TROUBLING NEUTRALIST TRENDS WE WITNESS IN THE NON-COMMUNIST WORLD.

THIS ADMINISTRATION HAS SERIOUS RESERVATIONS ABOUT THE LEVERAGE THIS PIPELINE COULD PROVIDE THE USSR OVER THE ECONOMIES OF THE INDUSTRIALIZED WEST.

OUR PRIMARY OBJECTIVE WILL BE TO MANAGE THE EAST-WEST COMMERCIAL RELATIONSHIP IN A MANNER WHICH PROTECTS VITAL NATIONAL INTERESTS. WITH YOUR SUPPORT, I AM CONFIDENT THIS GOAL CAN BE REACHED.

I WOULD NOW LIKE TO TAKE THE OPPORTUNITY TO DESCRIBE THE CURRENT TREND IN U.S.-CHINA TRADE. THE GOAL OF THIS ADMINISTRATION IS TO NORMALIZE AND LIBERALIZE U.S.-CHINA RELATIONS.

IN RECENT MONTHS WE HAVE MADE IMPORTANT BEGINNINGS. THE PRESIDENT AND CHINESE AMBASSADOR CHAI ZEMIN HAVE OPENED AN IMPORTANT AND USEFUL DIALOGUE. PAN AM AND CHINA'S NATIONAL AIRLINE HAVE OPENED DIRECT AIR SERVICES BETWEEN NEW YORK, SAN FRANCISCO, SHANGHAI AND BEIJING. U.S. AND CHINESE SCIENTISTS AND ACADEMICIANS ARE COOPERATING ON VARIOUS PROJECTS.

WE HAVE MADE THE MOST IMPORTANT PROGRESS, HOWEVER, IN THE TRADE AREA.

THE COMMERCE DEPARTMENT HAS ALSO MOVED AHEAD VIGOROUSLY TO DEVELOP THE NEW CHINA POLICY. WE HAVE DRAMATICALLY SHORTENED THE TIME REQUIRED FOR THE PROCESSING OF EXPORT LICENSES FOR THE PNC OF ITEMS WHICH ARE NOT ON THE MULTILATERAL COCOM EXPORT CONTROL LIST. TODAY THOSE LICENSES ARE APPROVED ROUTINELY BY THE COMMERCE DEPARTMENT; THE CUMBERSOME INTERAGENCY REVIEW PROCESS HAS BEEN STREAMLINED.

WE HAVE DEVELOPED NEW, MORE LIBERALIZED PERFORMANCE CRITERIA FOR TECHNOLOGY; THERE IS NOW A PRESUMPTION OF APPROVAL FOR PRODUCTS WITH TECHNOLOGY LEVELS TWICE THOSE APPROVED UNDER THE OLD GUIDELINES. CASES ABOVE THIS "DOUBLE" THRESHOLD WILL BE EVALUATED ON AN INDIVIDUAL BASIS, AND BOTH CIVILIAN AND MILITARY END USE DESTINATIONS WILL BE CONSIDERED.

WE SEEK TO ESTABLISH CLEAR POLICIES THAT LEND CERTAINTY AND PREDICTABILITY TO AMERICAN BUSINESS IN TRADING WITH CHINA. WE INTEND THAT U.S. BUSINESS WILL NOT BE PLACED AT A COMPETITIVE DISADVANTAGE IN THE DEVELOPMENT OF CHINA'S ECONOMY.

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OUR TWO NATIONS ARE BOUND TOGETHER NOT ONLY BY THE BEAUTIFUL PACIFIC OCEAN, BUT ALSO BY A SHARED PERCEPTION THAT THE FORCES OF AGGRESSION ARE LOOSE IN THE WORLD AND MUST BE RESISTED. CHINA'S LEADERS CERTAINLY UNDERSTAND THAT APPEASEMENT IS THE MOST DANGEROUS POLICY.

WE NOW HAVE A UNIQUE OPPORTUNITY TO REESTABLISH THE WARM AND FRIENDLY TIES THAT ONCE CHARACTERIZED OUR RELATIONSHIP.

WE WISH THE CHINESE NATION GREAT SUCCESS IN BUILDING A STRONG AND SECURE NATION THAT CAN CONTRIBUTE TO PEACE AND STABILITY IN ASIA. WE SEEK THEIR SUPPORT IN COMBATING GLOBAL PROBLEMS SUCH AS TERRORISM AND HEGEMONISM. WE SEEK TO INVOLVE CHINA IN THE SEARCH FOR SOLUTIONS TO COMMON ISSUES, SUCH AS ENERGY DEVELOPMENT, ARMS CONTROL, AND ENVIRONMENTAL POLLUTION. WE SINCERELY HOPE THAT CHINA WILL CONTINUE TO MAKE PROGRESS IN ITS DEMOCRATIC REFORM MOVEMENT.

IN CONCLUSION, I WISH YOU A SUCCESSFUL AND PRODUCTIVE CONFERENCE. THE WORK YOU DO TODAY WILL GO FAR TO PROVIDING THE INSIGHT WE NEED TO DEVELOP TRADE POLICY IN THE COMING MONTHS. I LOOK FORWARD TO HEARING FROM YOU SOON.

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